



National Audit Office

# Maintaining the Occupied Royal Palaces

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# SUMMARY

**1** The Occupied Royal Palaces Estate (the Estate) is held in Trust for the Nation and is used to support the official duties of The Sovereign. The Estate is used for a range of ceremonial functions and contains accommodation for certain members of the Royal Family, State and Semi State rooms, offices, workshops, stores and accommodation for staff. The Department for Culture, Media and Sport (the Department) is ultimately responsible for the upkeep of the Estate but in 1991 delegated to the Royal Household the responsibility for running and maintaining the Estate. The Household does so through the Property Services Department (Property Section) and receives grant-in-aid, £15 million in 2007-08, for this purpose.

**2** This report was prepared under arrangements, established in 1998, giving the National Audit Office access to the Royal Household (Appendix 2). The report sets out the funding available to maintain the Estate and examines how the Property Section plans and delivers its maintenance work. We also looked at the impact the Property Section's running costs and income generated from the Estate had on the funding available to spend on maintenance. A full analysis of our methods is at Appendix 1.

### 3 Our main findings are as follows:

- The annual grant-in-aid has been largely static since 2000-01 and has therefore reduced by 19 per cent in 2008 prices. Over the same period spending on maintenance projects has reduced by 27 per cent in 2008 prices and running costs have increased by 11 per cent in 2008 prices. In 2007-08, however, the Property Section reduced running costs by £0.4 million compared to 2006-07 largely by reducing its consumption of utilities.
- While not a specific requirement of the Memorandum of Understanding, the Property Section generates income from renting out residential and office accommodation on the Estate. Since 2000-01 it has more than doubled the number of properties available to let to 36 in 2008 and increased the total annual rent to £1 million (an increase of 96 per cent in 2008 prices). The Property Section has not, however, developed or agreed with the Department an overall strategy or target for generating income from the Estate.
- Receipts from visitors to the Palaces go to the Royal Collection Trust to maintain and conserve works of art in the Palaces, on display in The Queen's Galleries or on loan to other institutions. The Property Section charges the Royal Collection Trust for the use of facilities at Windsor Castle (£1.8 million in 2007-08). Currently the Property Section does not apply a similar charge in respect of paying visitors to Buckingham Palace.
- One of the Department's high level objectives is "to maintain the Palaces to a standard consistent with operational requirements and their royal, architectural and historic status". The Department does not, however, have a basis for assessing whether this objective is being met as the Key Performance Indicators do not measure the outcomes achieved. The Property Section has identified the condition it would like the Estate to be in but has not defined the assessment criteria.
- Although the Property Section has recorded a maintenance backlog, it has not yet agreed with the Department what is achievable within the available funding or how performance will be assessed. The Department and the Property Section have not yet agreed criteria for assessing the backlog or a plan for managing it.
- The Property Section has recently strengthened its approach to planning its maintenance programme and has put in place the key elements of a sound maintenance strategy. It takes a long term view of the

needs of the Estate, has introduced a more efficient, risk-based approach for inspecting the condition of the Estate and assigns scores to maintenance projects to indicate their priority. While some projects have come in over budget, overall the Property Section is achieving its targets on project management.

## Conclusion on Value for Money

4 The Household through its Property Section has been operating within declining grant-in-aid funding in real terms. The Property Section has improved value for money by tightening up the way it plans and manages its maintenance activities and by reducing its running costs in 2007-08. It has also taken opportunities to make alternative use of accommodation, including generating income through commercial lets, although the Property Section's approach would be strengthened if it had a strategy for the Estate which assessed its requirements over the long term.

5 Another aspect of achieving value for money is meeting the Department's objective to maintain the Palaces to a standard consistent with the Household's operational requirements and the royal, architectural and historic status of the buildings. The Property Section has identified a maintenance backlog, but until the Department and the Property Section agree a way of measuring the condition of the Estate the Department will not be able to show how far its objective is being met.

## Recommendations

6 The recommendations below are intended to strengthen the Property Section's existing approach to maintaining the Estate and the Department's oversight. Implementing the recommendations would require some small diversion of staff effort in the short term and some cost if specialist advice were sought.

### a) The Property Section and Department have established objectives for maintaining the Palaces but have not agreed how performance will be assessed.

The Department and the Property Section should agree a way of measuring the condition of the Estate to assess whether the Property Section is maintaining it in line with objectives (Paragraph 27). The Property Section intends to measure the changes in the maintenance backlog over time as a way of assessing performance. If backlog is to be used as a key performance measure in the future, the Property Section would need to:

- agree with the Department what should be included in the maintenance backlog, and apply the definition consistently to enable comparisons to be made over time (Paragraph 40);
- document its assessment of the practical impact if projects in the backlog are not addressed (Paragraph 41); and
- agree with the Department a plan for managing the backlog and measures by which progress will be assessed (Paragraph 40).

**b) The Property Section carries out targeted and regular inspections of the Estate, but the assessment criteria are open to interpretation. Using in-house staff minimises costs but an independent assessment of the Estate's condition may improve the objectivity of the inspections.**

The Property Section should develop its current inspection regime by:

- defining the criteria for assessing the condition the Estate should be in (Paragraph 33);
- carrying out random checks of the results of inspections (Paragraphs 32 and 33); and
- exploring the potential to exchange staff with organisations that are also responsible for maintaining historic buildings to bring independence to the inspections and give the Property Section's staff wider experience (Paragraph 32).

**c) The Property Section has developed a detailed ten year maintenance plan based on a thorough inspection programme, but does not have a documented assessment of the condition of the whole Estate.**

The Property Section should build on the results of its inspection programme by preparing a comprehensive record of the condition of the Estate (Paragraph 34).

**d) The Property Section monitors the extent to which planned work is replaced by unplanned work but it does not draw out lessons to inform planning.**

The Property Section should draw out lessons from the common reasons for projects not being delivered as scheduled and feed these findings into future maintenance plans (Paragraph 38).

**e) Although not required by the Memorandum of Understanding, the Household generates additional income by renting out properties on the Estate. The Household has a long term goal of increasing the number of properties it lets, but as it does not have a documented, forward looking plan for how the Estate is used, opportunities for reducing costs and generating more income from the Estate could be missed.**

The Property Section should prepare a forward looking plan that:

- explores the scope to free up properties which can then be let (Paragraph 17); and
- identifies properties on the Estate which do not contribute to the Household's operations and agree with the Department alternative uses for such properties, subject to security considerations and to recognising the historic significance of the Estate (Paragraphs 16 to 23).